

**REPORT OF THE AUDIT OF THE  
BATH COUNTY  
SHERIFF'S SETTLEMENT - 2002 TAXES**

**July 25, 2003**



**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**  
[www.kyauditor.net](http://www.kyauditor.net)

**144 CAPITOL ANNEX  
FRANKFORT, KY 40601  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912**





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Walter B. ShROUT, Bath County Judge/Executive  
Honorable Randall Armitage, Bath County Sheriff  
Members of the Bath County Fiscal Court

The enclosed report prepared by Ross & Company, PLLC, Certified Public Accountants, presents the Bath County Sheriff's Settlement - 2002 Taxes.

We engaged Ross & Company, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Ross & Company, PLLC, evaluated the Bath County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Enclosure





**REPORT OF THE AUDIT OF THE  
BATH COUNTY  
SHERIFF'S SETTLEMENT - 2002 TAXES**

**July 25, 2003**

**ROSS & COMPANY, PLLC**  
**Certified Public Accountants**  
800 Envoy Circle  
Louisville, KY 40299  
Telephone (502) 499-9088  
Facsimile (502) 499-9132



**EXECUTIVE SUMMARY**

**AUDIT EXAMINATION OF THE  
BATH COUNTY  
SHERIFF'S SETTLEMENT - 2002 TAXES**

**July 25, 2003**

Ross & Company, PLLC has completed the audit of the Sheriff's Settlement - 2002 Taxes for Bath County Sheriff as of July 25, 2003. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$2,184,142 for the districts for 2002 taxes, retaining commissions of \$85,426 to operate the Sheriff's office. The Sheriff distributed taxes of \$2,086,542 to the districts for 2002 Taxes. Taxes of \$26 are due to the districts from the Sheriff and refunds of \$41 are due to the Sheriff from the taxing districts.

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.





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Independent Auditor's Report

We have audited the Bath County Sheriff's Settlement - 2002 Taxes as of July 25, 2003. This tax settlement is the responsibility of the Bath County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

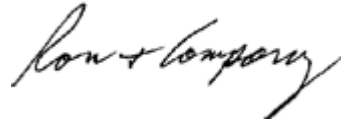
As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Bath County Sheriff's taxes charged, credited, and paid as of July 25, 2003, in conformity with the modified cash basis of accounting.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
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In accordance with Government Auditing Standards, we have also issued our report dated August 4, 2003, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Ross & Company", written in dark ink.

Ross & Company, PLLC

Audit fieldwork completed -  
August 4, 2003

BATH COUNTY  
 RANDALL ARMITAGE, COUNTY SHERIFF  
SHERIFF'S SETTLEMENT - 2002 TAXES

July 25, 2003

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 235,689	\$ 583,310	\$ 692,467	\$ 281,576
Tangible Personal Property	11,581	20,600	36,691	40,815
Intangible Personal Property				13,205
Fire Protection				
Increases Through Exonerations	116	300	351	317
Current Year Franchise	51,367	126,053	158,384	
Prior Year Franchise	9,714	18,082	30,128	
Bank Franchises	32,156			
Penalties	2,752	6,805	8,092	3,345
Adjusted to Sheriff's Receipt	29	165	66	33
Gross Chargeable to Sheriff	<u>\$ 343,404</u>	<u>\$ 755,315</u>	<u>\$ 926,179</u>	<u>\$ 339,291</u>
<u>Credits</u>				
Exonerations	\$ 2,352	\$ 6,049	\$ 6,923	\$ 6,679
Discounts	3,784	7,631	9,259	4,203
Delinquents:				
Real Estate	11,689	28,841	34,343	13,965
Tangible Personal Property	177	441	562	671
Uncollected Franchise	6,664	14,935	20,879	
Total Credits	<u>\$ 24,666</u>	<u>\$ 57,897</u>	<u>\$ 71,966</u>	<u>\$ 25,518</u>
Taxes Collected	\$ 318,738	\$ 697,418	\$ 854,213	\$ 313,773
Less: Commissions *	13,834	23,800	34,169	13,623
Taxes Due	\$ 304,904	\$ 673,618	\$ 820,044	\$ 300,150
Taxes Paid	303,955	671,204	854,218	294,364
Commission Refunds From Schools			37,199	
Refunds (Current and Prior Year)	973	2,406	3,030	5,780
Due Districts or (Refunds Due Sheriff)		**		
as of Completion of Fieldwork	<u>\$ (24)</u>	<u>\$ 8</u>	<u>\$ (5)</u>	<u>\$ 6</u>

The accompanying notes are an integral part of this financial statement.

BATH COUNTY  
 RANDALL ARMITAGE, COUNTY SHERIFF  
 SHERIFF'S SETTLEMENT - 2002 TAXES  
 July 25, 2003  
 (Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	985,274
4% on	\$	1,022,099
1% on	\$	166,769

\*\* Special Taxing Districts:

Library District	\$	(2)
Health District		(1)
Extension District		(1)
Watershed District		9
Soil Conservation District		11
Ambulance District		(2)
Fire Dept. District		(6)
		<hr/>

Due Districts or (Refunds Due Sheriff)	\$	<u>8</u>
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BATH COUNTY  
NOTES TO FINANCIAL STATEMENTS

July 25, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of July 25, 2003, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

BATH COUNTY  
NOTES TO FINANCIAL STATEMENT  
July 25, 2003  
(Continued)

Note 3. Tax Collection Period

Property Taxes

The real and personal property tax assessments were levied as of January 1, 2002. Property taxes were billed to finance governmental services for the year ended June 30, 2003. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 31, 2002 through May 17, 2003.

Note 4. Interest Income

The Bath County Sheriff earned \$933 as interest income on 2002 taxes. As of August 4, 2003, the Sheriff is due \$10 in interest from the school district and owes \$15 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Bath County Sheriff collected \$16,570 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office. As of August 4, 2003, the Sheriff owes \$159 in 10% add-on fees to his fee account.

Note 6. Advertising Costs And Fees

The Bath County Sheriff collected \$582 of advertising costs allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute.



REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Bath County Sheriff's Settlement - 2002 Taxes as of July 25, 2003, and have issued our report thereon dated August 4, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Bath County Sheriff's Settlement - 2002 Taxes as of July 25, 2003 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bath County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Ross & Company", written in black ink.

Ross & Company, PLLC

Audit fieldwork completed -  
August 4, 2003

